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Federal Communications Commission
Office of Secretary

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April 25, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554

RE: CC Docket No. 96-262

Dear Mr. Caton,

The attached information was requested by Mr. Greg Rosston, Deputy Chief Economist, Office of Plans and Policy. Mr. Rosston requested that Sprint model various assumptions related to access reform in the above referenced docket. It is Sprint's understanding that the attached information does not reflect the Commission's current thinking on this matter, nor does it reflect Sprint's position.

Sprint requests that this information be made a part of the record in this matter. Two copies of this letter, in accordance with Section 1.1206(a)(1), is provided for this purpose. Please call if there are any questions.

Sincerely,

Warren D. Hannah

Attachment

c: G. Rosston
J. Garcia
P. DeGraba
J. Sichter

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ACCESS REFORM PLAN QUANTIFICATION

SPRINT LOCAL TELECOM DIVISION

Attached is a spreadsheet model and results for Sprint Local Telecom Division (LTD) of the access reform plan that we were requested by the Staff to model. The model reflects the assumptions and input values provided by the Staff. The Sprint LTD specific data (demand, costs, and revenues) used in the model was based on 1996 actuals, which were then projected for 1997.

In developing the model and model inputs, it was necessary to make some additional assumptions that were not discussed with staff. Those assumptions are described below.

1. Nontraffic sensitive switching costs. The NTS switching costs were calculated on a revenue requirements basis. Thirty percent of the 1996 total local switching revenue requirement was removed from the local switching per minute rate.
2. Total switched access rate per MOU under the existing price cap plan. The rate cap for the originating switched rate under the access reform plan was developed by modeling the rates that would be produced by the existing price cap plan for the years 1998-2002, using the same demand growth, inflation, and productivity offset assumptions used in modeling the access reform plan. The total switched access rate is a composite of the rates for CCLC, local switching, information surcharge, transport interconnection charge, tandem switching and transport, and dedicated switched transport.

3. Universal Service Fund. The revenue basis for assessing universal service funding obligations was developing using reported 1995 total and interstate retail revenues, which were grown at a uniform rate of 5.5% a year through 2002.

Sprint LTD's USF support received for 1998 was determined using projected receipts under the existing high cost fund rules. For 1999-2002, Sprint LTD's support was calculated by applying the percentage share of total industry high cost support it would receive using the BCM2 proxy model results to the total industry high cost support fund of \$4.35 billion.

4. Calculation of revenues for NTS cost elements in the flat rate pool. Under the access reform plan being modeled, a "flat rate pool" is created for the recovery of NTS related elements (common line and NTS switching) as well as the TIC and USF. In the initial year of the plan, these NTS components were developed using the NTS switching costs developed as previously described (see #1 above) and actual SLC and CCLC revenues. In order to develop the allowable revenues for these elements in subsequent years, we took the average revenues per access line, adjusted for inflation minus productivity (after the TIC is eliminated), times access lines. In effect, this methodology results in this component of the flat rate pool growing at the overall growth rate of access lines.
5. Inclusion of existing USF costs in the flat rate pool. The existing high cost support plan flows support to the intrastate jurisdiction. Under Part 36 of the Commission's Rules, high cost support is calculated as an additional expense

allocation to the interstate jurisdiction.¹ The impact of these rules is to directly reduce intrastate revenue requirements. These additional expense allocations to the interstate jurisdiction are not built into our interstate access revenue requirements and rates, but are recovered directly from the current USF fund. The assumption made in our modeling of the access reform plan is that the existing high cost support allocation will be incorporated into the new high cost support plan beginning in 1999. That is, we assumed there would be no change in the jurisdictional separations procedures that would reallocate those high cost support allocations back to state jurisdictions. As a result, we included the existing high cost support expenses in the flat rate pool in order to ensure that the access reform plan will generate revenues to cover both access costs and the additional interstate allocation for high cost support.

¹ Subpart F -Universal Service of the Part 36 Rules defines the methodology for calculating the additional expense allocation. In addition, a portion of the costs of connecting subscribers to the network is allocated to the interstate jurisdiction under Subpart G-Lifeline Connection Assistance Expense Allocation.

**SPRINT Local Telecom Division
Access Reform Quantification
Modeling Requested By FCC Staff**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Inputs</u>						
<u>Access Line Growth Factor:</u>						
Single Line Residential	1.30%	1.30%	1.08%	1.13%	1.09%	1.09%
2nd Line Residential	11.90%	11.90%	13.00%	11.00%	11.00%	10.00%
Single Line Business	5.67%	5.67%	5.00%	5.00%	5.00%	5.00%
Multi-line Business	5.67%	5.67%	5.00%	5.00%	5.00%	5.00%
Weighted Average Line Growth	3.382%	3.484%	3.394%	3.312%	3.389%	3.357%
<u>Access Lines:</u>						
Single Line Residential	4,510,357	4,568,992	4,618,337	4,670,524	4,721,433	4,772,896
2nd Line Residential	612,021	684,852	773,883	859,010	953,501	1,048,851
Single Line Business	347,636	367,347	385,715	405,000	425,250	446,513
Multi-line Business	<u>1,477,388</u>	<u>1,561,156</u>	<u>1,639,214</u>	<u>1,721,175</u>	<u>1,807,233</u>	<u>1,897,595</u>
Total Access Lines	6,947,403	7,182,347	7,417,148	7,655,709	7,907,417	8,165,855
<u>Switched MOU Growth Factor</u>						
	8.00%	8.00%	8.53%	8.04%	7.45%	7.24%
<u>Switched MOU</u>						
	<u>21,899,634,519</u>	<u>23,651,605,280</u>	<u>25,669,500,175</u>	<u>27,734,322,858</u>	<u>29,799,145,541</u>	<u>31,957,823,801</u>
Originating MOU	8,740,144,136	9,439,355,667	10,244,697,520	11,068,768,253	11,892,838,986	12,754,367,479
Terminating MOU	13,159,490,382	14,212,249,613	15,424,802,655	16,665,554,605	17,906,306,556	19,203,456,322
<u>Inflation Factor</u>						
	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%
<u>Productivity Factor</u>						
	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%

**SPRINT Local Telecom Division
Access Reform Quantification
Modeling Requested By FCC Staff**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Baseline Rates</u>						
<u>SLC</u>						
Single Line Residential	\$ 3.50					
2nd Line Residential	\$ 3.50					
Single Line Business	\$ 3.50					
Multi-line Business	\$ 6.00					
<u>Switched Access</u>						
CCL Rate	\$ 0.009137					
Switching	\$ 0.009954					
Information	\$ 0.000221					
800 Database (per MOU)	\$ 0.000642					
TIC	\$ 0.004278					
Transport (Tandem & Dedicated Sw)	\$ 0.002299					
Total Switched Access Per MOU	\$ 0.02589	\$ 0.02463	\$ 0.02342	\$ 0.02228	\$ 0.02123	\$ 0.02023
<u>Baseline Revenues:</u>						
SLC	\$ 336,112,570					
CCLC	\$ 200,100,192					
Switching	\$ 217,992,468					
Information	\$ 4,844,543					
800 Database (per MOU)	\$ 14,053,304					
TIC	\$ 93,696,160					
Transport (Tandem & Dedicated Sw)	\$ 50,351,236					
Special	\$ 120,488,845					
Other	\$ 8,775,040					
Total Interstate Access	\$ 1,046,414,358					
Existing USF	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895
Total Interstate	\$ 1,097,039,253					

**SPRINT Local Telecom Division
Access Reform Quantification
Modeling Requested By FCC Staff**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Access Reform Capped Rates</u>						
<u>Multi-Line Business Cap:</u>						
Loop (Rev. Req. @ 11.25%)	\$	543,943,868				
Port (30% LS Rev. Req. @ 11.25%)	\$	49,229,133				
Total Rev. Req.	\$	593,173,001				
Total Access Lines		6,947,403				
Monthly Multi-Line Business Cap	\$	7.12				
<u>Subscriber Line Charge (SLC) Cap:</u>						
Single Line Residential	\$	3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
2nd Line Residential	\$	3.50	\$ 5.00	\$ 6.14	\$ 7.12	\$ 7.12
Single Line Business	\$	3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
Multi-line Business	\$	6.00	\$ 7.12	\$ 7.12	\$ 7.12	\$ 7.12
<u>Presubscribed Line Charge (PLC) Cap:</u>						
Single Line Residential		\$ 0.75	\$ 1.27	\$ 1.80	\$ 2.35	\$ 2.92
2nd Line Residential		\$ 1.50	\$ 1.54	\$ 2.58	\$ 3.65	\$ 4.75
Single Line Business		\$ 0.75	\$ 1.27	\$ 1.80	\$ 2.35	\$ 2.92
Multi-line Business		\$ 4.50	\$ 5.12	\$ 6.76	\$ 8.44	\$ 10.17
<u>Flat Rate Pool Rates - NTS Components</u>						
SLC	\$	336,112,570				
CCLC	\$	200,100,192				
NTS Switching	\$	49,229,133				
Total FRP Revenue	\$	585,441,895				
Total Access Lines		6,947,403				
Monthly Rate	\$	7.02				
<u>Switched MOU Base Rate</u>						
Switching (Traffic Sensitive Only)	\$	168,763,335				
Information	\$	4,844,543				
TIC (Cost based portion only) - 30%	\$	28,108,848				
Transport (Tandem & Dedicated Sw)	\$	50,351,236				
Total Switched MOU Base Revenue	\$	252,067,962				
Switched MOU	\$	21,899,634,519				
Base Originating Rate	\$	0.011510				
Base Terminating Rate	\$	0.011510				

**SPRINT Local Telecom Division
Access Reform Quantification
Modeling Requested By FCC Staff**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Universal Service:</u>						
Total Fund Size		\$ 4,500,000,000	\$ 7,000,000,000	\$ 7,000,000,000	\$ 7,000,000,000	\$ 7,000,000,000
High Cost		\$ 1,850,000,000	\$ 4,350,000,000	\$ 4,350,000,000	\$ 4,350,000,000	\$ 4,350,000,000
School, Health Care		\$ 2,650,000,000	\$ 2,650,000,000	\$ 2,650,000,000	\$ 2,650,000,000	\$ 2,650,000,000
Industry Total Revenue	\$ 185,959,764,900	\$ 196,187,551,970	\$ 206,977,867,328	\$ 218,361,650,031	\$ 230,371,540,783	\$ 243,041,975,526
Industry Interstate Revenue(less Access)	\$ 72,686,097,625	\$ 76,683,832,994	\$ 80,901,443,809	\$ 85,351,023,219	\$ 90,045,329,496	\$ 94,997,822,618
Sprint LTD Total Revenue	\$ 2,935,086,152	\$ 3,096,515,891	\$ 3,266,824,265	\$ 3,446,499,599	\$ 3,636,057,077	\$ 3,836,040,217
Sprint LTD Interstate Revenue	\$ 362,515,595	\$ 382,453,953	\$ 403,488,920	\$ 425,680,811	\$ 449,093,255	\$ 473,793,384
Revenue Growth Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Contributions - High Cost	\$ -	\$ 9,226,714	\$ 21,695,247	\$ 21,695,247	\$ 21,695,247	\$ 21,695,247
Contributions - School, Health Care	\$ -	\$ 41,826,135	\$ 41,826,135	\$ 41,826,135	\$ 41,826,135	\$ 41,826,135
Total Contributions	\$ -	\$ 51,052,850	\$ 63,521,382	\$ 63,521,382	\$ 63,521,382	\$ 63,521,382
Receipts - High Cost Fund	\$ 50,624,895	\$ 50,624,895	\$ 82,722,540	\$ 82,722,540	\$ 82,722,540	\$ 82,722,540
Net Universal Service Obligation	\$ (50,624,895)	\$ 427,955	\$ (19,201,158)	\$ (19,201,158)	\$ (19,201,158)	\$ (19,201,158)

Productivity:

Total Interstate Access Rev. (R)(t-1)	\$ 1,046,414,358	\$ 1,126,779,025	\$ 1,116,528,003	\$ 1,129,532,903	\$ 1,144,868,123
Productivity Offset	\$ (27,206,773)	\$ (29,296,255)	\$ (29,029,728)	\$ (29,367,855)	\$ (29,766,571)
RIC Revenues	\$ 65,587,312	\$ 38,380,538	\$ 9,084,284	\$ -	\$ -
Productivity Decrease Targeted to RIC	\$ (27,206,773)	\$ (29,296,255)	\$ (9,084,284)	\$ -	\$ -
Net RIC	\$ 38,380,538	\$ 9,084,284	\$ -	\$ -	\$ -
Productivity Remaining	\$ -	\$ -	\$ 19,945,444	\$ 29,367,855	\$ 29,766,571
Remaining Productivity Factor	0.000%	0.000%	1.786%	2.600%	2.600%

Flat Rate Pool:

Existing Allocation to Interstate - USF	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895	\$ 50,624,895
FRP Monthly Rate	\$ 7.02	\$ 7.02	\$ 7.02	\$ 6.90	\$ 6.72	\$ 6.54
Total CCLC & SLC & NTS Switching Rev.	\$ 585,441,895	\$ 605,240,099	\$ 613,860,899	\$ 617,131,031	\$ 620,848,443	\$ 620,848,443
Net RIC	\$ 38,380,538	\$ 9,084,284	\$ -	\$ -	\$ -	\$ -
Net Universal Service Obligation	\$ 427,955	\$ (19,201,158)	\$ (19,201,158)	\$ (19,201,158)	\$ (19,201,158)	\$ (19,201,158)
Total Pool	\$ 674,875,283	\$ 645,748,120	\$ 645,284,636	\$ 648,554,769	\$ 652,272,180	\$ 652,272,180

**SPRINT Local Telecom Division
Access Reform Quantification
Modeling Requested By FCC Staff**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>				
<u>Revenue Distribution of Pool Dollars:</u>										
<u>Subscriber Line Charge:</u>										
Single Line Residential	\$	189,435,001	\$	191,897,656	\$	193,970,151	\$	196,162,014	\$	198,300,180
2nd Line Residential	\$	36,721,283	\$	50,418,799	\$	66,074,519	\$	73,342,716	\$	81,410,415
Single Line Business	\$	14,600,726	\$	15,428,587	\$	16,200,017	\$	17,010,017	\$	17,860,518
Multi-line Business	\$	<u>126,140,191</u>	\$	<u>133,292,340</u>	\$	<u>139,956,957</u>	\$	<u>146,954,805</u>	\$	<u>154,302,545</u>
Total Subscriber Line	\$	366,897,202	\$	391,037,383	\$	416,201,644	\$	433,469,552	\$	451,873,658
<u>Presubscribed Line Charge:</u>										
Single Line Residential	\$	40,593,215	\$	69,645,142	\$	100,008,059	\$	131,892,025	\$	165,258,145
2nd Line Residential	\$	11,016,385	\$	12,660,173	\$	23,978,849	\$	37,643,286	\$	35,140,377
Single Line Business	\$	3,128,727	\$	5,599,475	\$	8,352,482	\$	11,436,902	\$	-
Multi-line Business	\$	<u>79,778,959</u>	\$	<u>95,945,527</u>	\$	<u>96,743,603</u>	\$	<u>34,113,004</u>	\$	-
Total Presubscribed Line	\$	134,517,285	\$	183,850,317	\$	229,082,993	\$	215,085,216	\$	200,398,522
FRP Allocation to MOU Charge	\$	173,460,796	\$	70,860,420	\$	-	\$	(0)	\$	-
Originating per MOU Charge Development:	\$	0.01151	\$	0.01151	\$	0.01130	\$	0.01101	\$	0.01072
Residual Allocation to Orig. From Fixed Pool	\$	<u>0.01312</u>	\$	<u>0.00751</u>	\$	<u>-</u>	\$	<u>(0.00000)</u>	\$	<u>-</u>
New Originating MOU Rate	\$	0.02463	\$	0.01902	\$	0.01130	\$	0.01101	\$	0.01072
Residual Allocation to the Orig Rate	\$	114,690,529	\$	70,860,420	\$	-	\$	(0)	\$	-
Terminating per MOU Charge Development:	\$	0.01151	\$	0.01151	\$	0.01130	\$	0.01101	\$	0.01072
Residual Allocation to Term. From Fixed Pool	\$	<u>0.00447</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>
New Terminating MOU Rate	\$	0.01598	\$	0.01151	\$	0.01130	\$	0.01101	\$	0.01072
Residual Allocation to the Term Rate	\$	58,770,268	\$	-	\$	-	\$	-	\$	-
<u>Revenue Summary Under New Structure:</u>										
Subscriber Line Charge	\$	381,709,699	\$	407,100,368	\$	433,469,552	\$	451,873,658	\$	470,784,324
Presubscribed Line Charge	\$	141,056,812	\$	191,325,557	\$	238,105,561	\$	222,941,096	\$	205,713,873
Originating Switched MOU	\$	232,514,121	\$	194,824,002	\$	125,127,219	\$	130,947,434	\$	136,782,122
Terminating Switched MOU	\$	227,056,939	\$	177,541,711	\$	188,396,257	\$	197,159,392	\$	205,944,318
800 Database	\$	15,177,568	\$	16,472,480	\$	17,479,575	\$	18,292,626	\$	19,107,699
Special	\$	120,488,845	\$	120,488,845	\$	118,336,455	\$	115,259,708	\$	112,262,955
Other	\$	<u>8,775,040</u>	\$	<u>8,775,040</u>	\$	<u>8,618,284</u>	\$	<u>8,394,209</u>	\$	<u>8,175,959</u>
Total Interstate Access	\$	1,126,779,025	\$	1,116,528,003	\$	1,129,532,903	\$	1,144,868,123	\$	1,158,771,252
Universal Service Fund	\$	50,624,895	\$	(427,955)	\$	19,201,158	\$	19,201,158	\$	19,201,158
Total Interstate	\$	1,097,039,253	\$	1,126,351,070	\$	1,135,729,161	\$	1,164,069,281	\$	1,177,972,410

**SPRINT Local Telecom Division
Access Reform Quantification
Modeling Requested By FCC Staff**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Rate Summary:</u>						
<u>Subscriber Line Charge (SLC) Actual:</u>						
Single Line Residential	\$	3.50	\$	3.50	\$	3.50
2nd Line Residential	\$	5.00	\$	6.14	\$	7.12
Single Line Business	\$	3.50	\$	3.50	\$	3.50
Multi-line Business	\$	7.12	\$	7.12	\$	7.12
<u>Presubscribed Line Charge (PLC) Actual:</u>						
Single Line Residential	\$	0.75	\$	1.27	\$	2.35
2nd Line Residential	\$	1.50	\$	1.54	\$	3.65
Single Line Business	\$	0.75	\$	1.27	\$	-
Multi-line Business	\$	4.50	\$	5.12	\$	-
New Originating MOU Rate	\$	0.02463	\$	0.01902	\$	0.01101
New Terminating MOU Rate	\$	0.01598	\$	0.01151	\$	0.01072